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TITAN EXPLORATION LTD

2005 ANNUAL REPORT

Corporate Profile

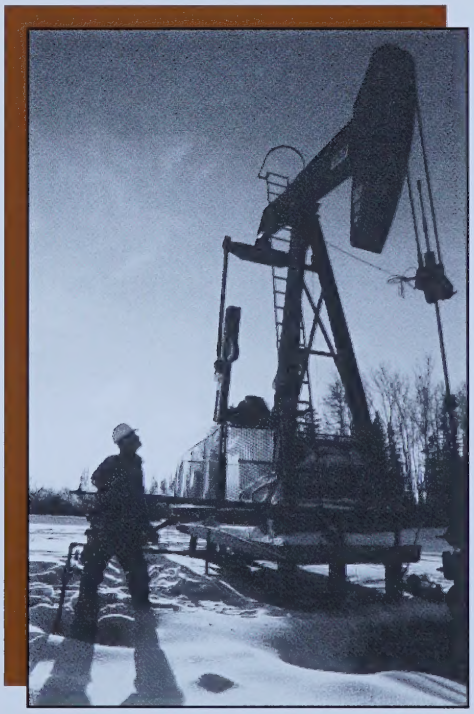
Titan Exploration Ltd. is an independent, Alberta-based, junior oil and gas company engaged in the exploration for, and development and production of, natural gas and crude oil reserves in Western Canada. Titan's areas of focus include northeast British Columbia, the Peace River Arch area of northwest Alberta and southwest Saskatchewan. Its Class A and Class B shares trade on the Toronto Stock Exchange under the symbols "TTN.A" and TTN.B", respectively.

Notice of Annual General Meeting

The Annual General Meeting for shareholders of Titan Exploration Ltd. will be held on Wednesday, June 28, 2006 at 3:00 pm in the Westwinds boardroom located on the second floor of the Selkirk building, 555 - 4 Avenue SW, Calgary, Alberta. Shareholders who are unable to attend the meeting are requested to complete and return the Instrument of Proxy to Olympia Trust Company at their earliest convenience.

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Financial Highlights

	Three Months Ended			Year Ended		
	December 31 2005	December 31 2004	% Change	December 31 2005	December 31 2004	% Change
Petroleum and natural gas sales	$ 9,790,948	$ 1,837,930	433%	$ 27,797,979	$ 3,345,217	731%
Net earnings (loss)	$ 250,516	$ 64,402	288%	$ 3,533,257	$ (166,609)	
Net earnings (loss) per share (Class A and Class B)	$ 0.01	$ 0.00		$ 0.19	$ (0.01)	
Cash flow from operations	$ 3,427,589	$ 658,315	420%	$ 12,780,799	$ 965,052	1,224%
Cash flow per share (Class A and Class B)	$ 0.15	$ 0.04	275%	$ 0.68	$ 0.08	788%
Capital expenditures (excluding acquisitions)	$ 23,232,149	$ 7,633,750	204%	$ 40,191,965	$ 14,741,112	172%
Capital expenditures (including acquisitions)	$ 23,232,149	$ 13,903,750	67%	$ 68,696,090	$ 24,733,958	178%
Net debt, including working capital deficiency	$ 19,771,319	$ 7,298,954	171%	$ 19,771,319	$ 7,298,954	171%
Average Daily Production						
Oil (bbl/d)	1,389	422		1,063	380	
Gas (mcf/d)	2,510	965		2,163	550	
Oil Equivalent - boe/d (6 to 1)	1,808	583	210%	1,424	472	202%
Average Sales Prices ($Cdn)						
Oil/liquids (per bbl)	$ 55.86	$ 31.16	79%	$ 52.94	$ 36.99	43%
Gas (per mcf)	$ 11.48	$ 7.07	62%	$ 9.18	$ 7.07	30%
Oil Equivalent - per boe (6 to 1)	$ 58.87	$ 34.27	72%	$ 53.49	$ 38.12	40%
Operating costs per boe (6 to 1)	$ 15.80	$ 10.38	52%	$ 11.22	$ 10.43	8%
Transportation costs per boe (6 to 1)	$ 2.89	$ 2.93	(1%)	$ 2.57	$ 3.07	(16%)
Royalties per boe (6 to 1)	$ 11.24	$ 8.16	38%	$ 9.65	$ 7.92	22%
Operating netbacks per boe (6 to 1)	$ 28.94	$ 12.80	126%	$ 30.05	$ 17.35	73%
Weighted average shares outstanding	23,629,743	15,029,590	57%	18,734,244	12,014,743	56%
Actual Class A Shares outstanding at end of period	23,860,512	10,880,000		23,860,512	10,880,000	
Actual Class B Shares outstanding at end of period	1,012,500	1,012,500		1,012,500	1,012,500	

In this report, all references to barrels of oil equivalent ("boe") are calculated converting natural gas to oil at a ratio of six thousand cubic feet of natural gas to one barrel of oil.

Presidents Message

On behalf of the team at Titan Exploration, I am pleased to present our Annual Report for the year ended December 31, 2005. Two thousand and five was a breakout year for Titan. The Company achieved remarkable growth in every measure and set the foundation for future growth in our core areas of northeast British Columbia, northwest Alberta and southwest Saskatchewan. These areas offer a diverse mix of high impact exploration and lower risk exploitation and development.

During 2004, Titan's production base consisted largely of medium gravity crude oil from southwest Saskatchewan (67% of production). Although Titan's southwest Saskatchewan core area offers the obvious benefits of low risk development drilling and stable, predictable production and reserves, management recognized the need to increase the Company's exposure to higher rate of return projects. Titan's original business plan was to use the steady cash flow base from southwest Saskatchewan as a lever for its Peace River Arch exploration program. During 2005, Titan put this plan into action and Titan has emerged as a highly competitive, high growth explorer in the Peace River Arch Area. By the end of 2005 the Peace River Arch represented 55% of our total production with this number forecast to grow to 67% in the first half of 2006. Moving forward, we will continue to aggressively seek acquisition opportunities in the Peace River Arch area and also add to our substantial land position by way of farmins and crown land purchases.

Titan's exceptional growth in 2005 was the direct result of following through on our business plan – the aggressive pursuit of strategic acquisitions in combination with grass roots internal prospect generation. During 2005, Titan was successful in growing its production base by 130%, from 1,000 boe/d at December 31, 2004, to 2,300 boe/d at December 31, 2005. During this same period, the price of the Company's Class A Shares increased by 144% from $2.50 at the start of the year to $6.10 at year end.

Titan achieved a number of other financial and operational milestones in 2005, including:

- drilling of 38 wells (33.95 net), consisting of 27 oil wells (23.97 net), 8 gas wells (7.23 net) and 3 D&A wells (2.75 net);
- increasing proved plus probable reserves by 198% to 8,623 mboe;
- increased net undeveloped land position by 138% to 81,946 acres;
- established a total proven RLI of 6.5 years and a proven plus probable RLI of 10.3 years (based on Titan's 2005 exit production rate of 2,300 boe/d and McDaniel and Associates 2005 Reserve Report);
- increased cash flow per share by 1,224% to $0.68 per share in 2005;
- accumulated 600 boe/d of tested production by December 31, 2005 that will be tied in and on stream during the first half of 2006;
- completed the corporate acquisition of Virtus Energy in June 2005; and
- amassed a diverse drilling inventory of 80+ locations.

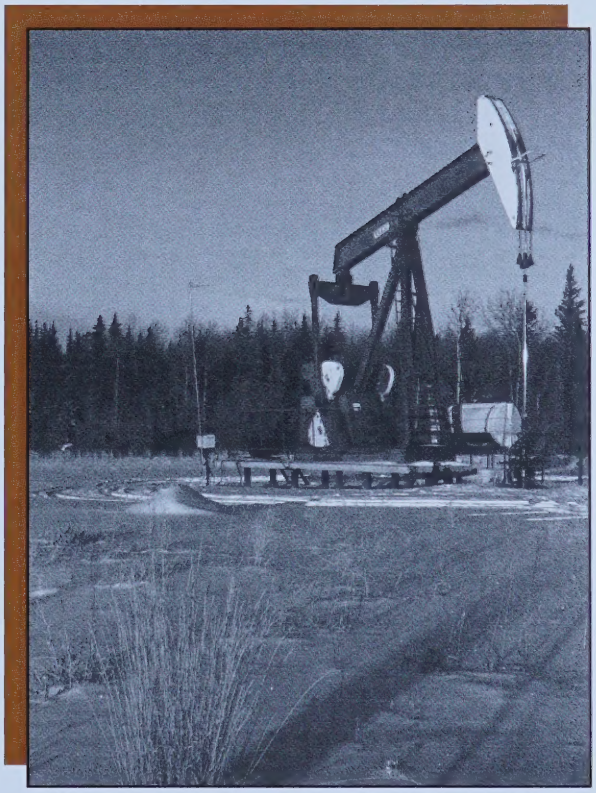
Titan embarked upon an ambitious drilling program in 2005, drilling a total of 38 wells. This was particularly true in the latter half of the year in which we drilled 28 wells. Overall, the Company drilled 22 wells (20.18 net) in southwest Saskatchewan, 10 wells (9.07 net) in northwest Alberta and 6 wells (4.70 net) in northeast British Columbia.

Titan takes a technical approach to its drilling prospects and routinely incorporates 2-D and 3-D seismic, as well as other risk mitigating factors in the majority of our drilling programs. We are extremely pleased with the results of the 2005 drilling program, having achieved a success rate of 92%, and the substantial new opportunities it has created for Titan moving forward.

The acquisition of Virtus Energy was also a significant contributor to Titan's growth in 2005. Titan acquired 750 boe/d of production and 1.4 mmboe of proved plus probable reserves for $37,467 per boe of production and $20.09 per boe for reserves. Attractive valuations for an asset base that is predominately light oil and natural gas and considering the substantial inventory of exploration and exploitation potential. Through drilling and exploitation, we plan to double the acquired production from the Virtus assets through the 2006 and 2007 budget years.

Management understands that the future success of Titan depends, in part, on managing our costs. Operating and capital costs in the oil and gas industry have been under persistent upward pressure throughout 2005 and into 2006, and management recognizes the need to remain diligent on controlling costs.

During the fourth quarter of 2005, Titan incurred considerable costs on facility repairs at Pouce Coupe, Seal and Battle Creek. Titan inherited all of these facilities by way of acquisition and each of them required repairs and upgrades to ensure future and existing production would not be compromised. As a result of these and certain other one time expenditures, Titan's fourth quarter 2005 operating costs increased to $15.80/boe. Obviously sustained costs at this level are unacceptable, however, the long term benefit of this investment is already being realized through operational efficiencies and being able to tie-in new volumes from drilling and exploitation. With a number of these one time items behind us, first quarter 2006 operating costs are back to historical levels of $11/boe and moving forward management expects to improve this to under $10/boe. The majority of these operating cost improvements in the future are a result of a major exploitation program and operational efficiency project at Seal and new lower operating cost assets coming on stream in the second quarter of 2006.



Outlook

Titan's current production is approximately 2,300 boe/d (70% oil). In addition, Titan currently has approximately 500 boe/d awaiting tie-in, the majority of which should be on production by the middle of May, 2006. Titan has identified and is currently licensing a number of follow up locations based upon its initial drilling success. To date in 2006, Titan has drilled 7 (4.78 net) wells, resulting in 3 (2.13 net) oil wells and 4 (2.65 net) gas wells.

Titan has a large inventory of drilling prospects (in excess of 80 firm locations) and is building an impressive undeveloped land base. The Company currently has approximately 82,000 net acres of undeveloped land, approximately 70% of which is in northwest Alberta and northeast British Columbia. Significant growth is expected to come from development drilling at Titan's Pouce Coupe and Fort St. John properties, continued exploration at the Company's emerging West Boundary property, exploitation work at Seal and from the implementation of a waterflood at the Company's Eastbrook property.

Looking forward, Titan's 2006 capital budget of $40 million is expected to be funded through internally generated cash flow and bank debt. As part of this budget, Titan plans to drill up to 45 wells (16 exploration wells and 29 development wells). Titan's 2006 capital program is a diversified program targeting lower risk development drilling and exploitation projects with a modest but significant component directed at higher risk, high impact exploration opportunities. The majority of the exploration wells will be drilled in northeast British Columbia, while the majority of the development wells will be drilled at Titan's Pouce Coupe property and in southwest Saskatchewan. This level of activity and capital investment is expected to result in production increasing to 3,400 boe/d by the end of 2006.

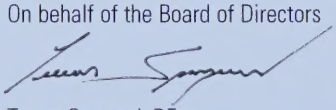
High activity levels in the greater Peace River Arch area has caused considerable delays industry wide, especially in the area of getting "behind pipe" production on stream. Titan was not immune to this and experienced several months of delays getting wells on stream that were drilled in the last quarter of 2005. Major facilities projects were undertaken in the fourth quarter of 2005 and the first quarter of 2006 at West Boundary and Pouce Coupe.

At West Boundary Lake, Titan installed a full compression, dehydration and oil gathering facility. Titan believes that it will have a competitive advantage at West Boundary moving forward, as it controls the only infrastructure in the immediate area. At Pouce Coupe, the Company installed a field gathering system, solution gas compression and an oil battery upgrade. This will not only result in an immediate increase to our existing production as a result of the conservation of solution gas, but will also permit the Company to tie-in new wells in a much shorter timeframe. At Seal, Titan is in the early stages of an oil battery and water disposal expansion necessary to handle an aggressive high volume lift program. Titan's Gordondale area has already benefited with the 2005 installation of a gas compressor station and field gathering system. The end result of these substantial projects is that Titan will have a very short cycle time for getting new production on stream from these areas.

Management believes that Titan is well positioned for continued growth in 2006 and beyond. We will continue to strive towards achieving per share financial and operational growth, while at the same time maintaining a strong balance sheet in order to be able to pursue strategic acquisitions on a timely basis.

We would like to recognize the incredible efforts of our employees and consultants who are responsible for the past and continued growth of Titan. We also thank our directors, staff and shareholders for their loyalty, dedication and support.

On behalf of the Board of Directors



Trevor Spagrud, P.Eng.
President and Chief Executive Officer

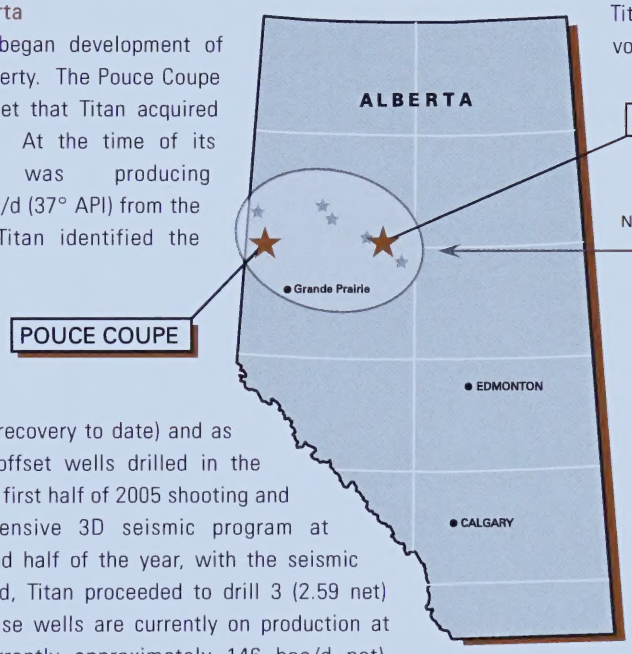
Operations Review

The Company's core areas are the Peace River Arch of Northwest Alberta and Northeast British Columbia and Southwest Saskatchewan.

During 2005, Titan drilled a total of 16 (13.8 net) wells in the Peace River Arch, resulting in 6 (4.8 net) oil wells and 8 (7.2 net) gas wells, for an overall success rate of 87.5%.

Pouce Coupe, Alberta

During 2005, Titan began development of its Pouce Coupe property. The Pouce Coupe property was an asset that Titan acquired in December, 2004. At the time of its acquisition, it was producing approximately 50 boe/d (37° API) from the Halfway C pool. Titan identified the property as having significant upside potential due to the low historical recovery from the pool (only about 7% recovery to date) and as a result of certain offset wells drilled in the area. Titan spent the first half of 2005 shooting and interpreting an extensive 3D seismic program at Pouce. In the second half of the year, with the seismic interpretation in hand, Titan proceeded to drill 3 (2.59 net) wells at Pouce. These wells are currently on production at restricted rates (currently approximately 146 boe/d net), pending the completion of a gas gathering system in early May.



Titan has identified up to 10 additional development locations (9.1 net) at Pouce Coupe, each of which is seismically defined. Titan is currently licensing 4 additional wells at Pouce, although further drilling will be delayed until the second quarter of 2006, pending receipt of regulatory approval for a downspacing (holding) application.

Seal, Alberta

Titan acquired the Seal property as part of the Virtus acquisition in June, 2005. The Seal property produces high quality (40° API) light oil from the Slave Point formation. Titan has identified a number of wells which it believes are suitable candidates for conversion to high volume lift (HVL). During the third quarter of 2005, Titan converted 2 of these wells, with initial results exceeding Titan's risked expectations. Once on high volume lift, the 2 wells were producing incremental production net to Titan of approximately 120 bbl/d.

As of December 31, 2005, Titan has identified an additional nine wells to convert to HVL for an additional 334 bbls/d (net) of production. This capital program is expected to start in the second quarter of 2006 in conjunction with water injector conversions, gathering systems enhancements and battery modifications. Titan is forecasting the project to be complete early in the fourth quarter.

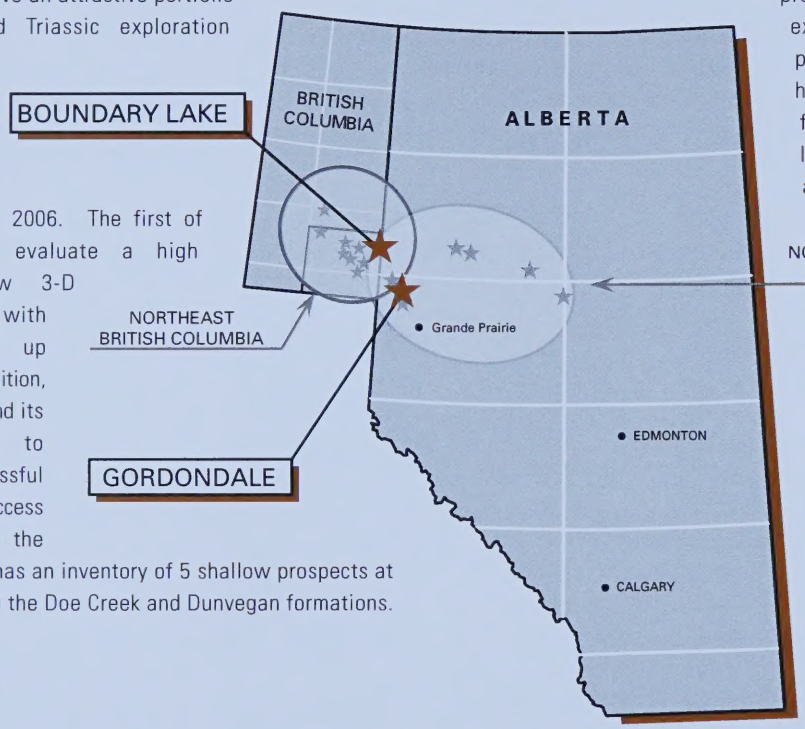
Another positive result from the HVL program and field electrification, will be the significant reduction of operating costs at Seal. Titan's goal is to reduce operating costs to below $10/bbl.

Titan also has extensive 3D seismic coverage at Seal and has identified up to 9 drilling locations. Titan has plans to drill one of these locations in 2006, with the remaining locations contingent upon success.

Gordondale, Alberta

At Gordondale, Alberta, Titan drilled 2 exploration Triassic prospects in the third quarter. Both wells were cased as successful gas wells. Titan expects that the first of these wells will be tied-in, in April 2006 and should initially produce at 160 boe/d net to Titan. The second well encountered high H_2S levels and is not expected to be tied-in in the near future due to facility constraints. Production from this second well is not included in Titan's behind pipe numbers.

Titan continues to have an attractive portfolio of Cretaceous and Triassic exploration prospects at Gordondale and is currently budgeting to drill up to 3 additional exploration wells in 2006. The first of these wells will evaluate a high impact, Kiskatinaw 3-D seismic anomaly with multiple follow up opportunities. In addition, Titan can easily expand its budget in this area to follow up on successful Dunvegan drilling success completed earlier in the year. The Company has an inventory of 5 shallow prospects at Gordondale targeting the Doe Creek and Dunvegan formations.



West Boundary, British Columbia

During 2005, Titan made a significant new discovery at its West Boundary property in northeast British Columbia. An internally generated prospect, the discovery well was drilled in the fourth quarter of 2005 and encountered multiple potential productive zones. Titan had encouraging test results on several zones. The first, a gas bearing zone, deliverability tested at a rate of approximately 400 boe/d. The second, an oil bearing zone, tested at rates in excess of 90 boe/d. Titan proceeded to shoot an extensive 3D seismic program over its lands and has identified numerous follow up drilling locations for both gas and oil targets. Since the initial discovery well, Titan has drilled 4 additional successful wells (1.96 net) at its West Boundary property and is currently working on a tie-in for all of the wells. Titan estimates that it currently has over 250 boe/d (net) of stabilized production to come on stream early in the second quarter of 2006. Titan has working interests ranging from 48% to 100% (with an average working interest of 66%) in 12 contiguous sections at West Boundary. Once the gathering system and facilities are completed, Titan will control the infrastructure in the area.

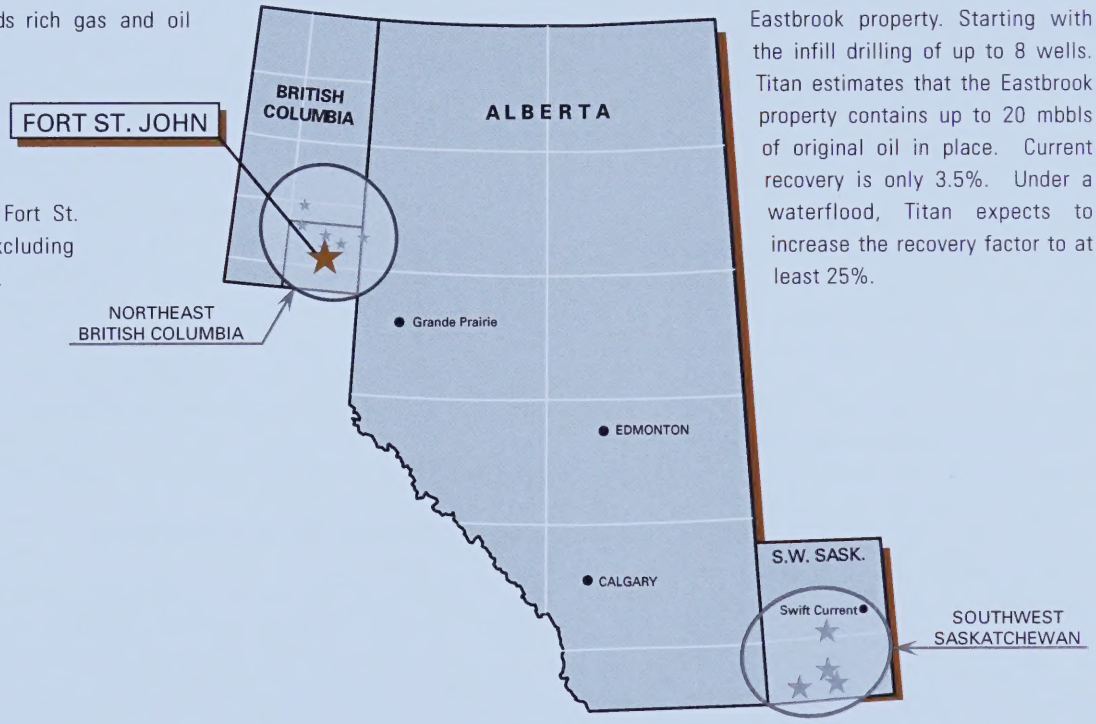
Fort St. John, British Columbia

During 2005 Titan drilled a total of 5 (4.2 net) wells in the Fort St. John area, resulting in 3 (2.2 net) oil wells and 2 (2 net) gas wells. Current net production is 100 bbl/d of oil and 195 mcf/d of gas (132 boe/d total). Behind pipe production (net) is estimated at 65 bbl/d of oil and 814 mcf/d of gas (201 boe/d total). Following up on this success, Titan continues to have an attractive inventory of drilling prospects in the greater Fort St. John area targeting Triassic formations. Prospects are multi zone in nature, offering a mixture of liquids rich gas and oil opportunities.

In 2006, Titan is currently budgeting to drill a total of 3 wells in the Fort St. John area (excluding West Boundary).

Southwest Saskatchewan

During 2005, Titan drilled a total of 22 (20.2 net) wells in southwest Saskatchewan targeting medium gravity crude oil (22° API) from the Upper Shaunavon and Cantuar formations. The program resulted in the addition of approximately 320 bbl/d of stabilized production net to Titan. Titan currently has 36 additional drilling locations in southwest Saskatchewan. Moving forward, southwest Saskatchewan will be an area of measured growth for Titan. In 2006, Titan plans to initiate the development of a waterflood at its Eastbrook property. Starting with the infill drilling of up to 8 wells. Titan estimates that the Eastbrook property contains up to 20 mbbls of original oil in place. Current recovery is only 3.5%. Under a waterflood, Titan expects to increase the recovery factor to at least 25%.





Management's Discussion and Analysis

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with the audited consolidated financial statements and notes for the years ended December 31, 2005 and 2004. This MD&A incorporates information up to and including March 10, 2006. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles. The reporting and the measurement currency is the Canadian dollar.

Natural gas reserves and volumes are converted to barrels of oil equivalent (boe) on the basis of six thousand cubic feet (mcf) of gas to one barrel (bbl) of oil. The reference to boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The term "cash flow from operating activities" or "cash flow", which is expressed before changes in non-cash working capital, is used by the Company to analyze operating performance, leverage and liquidity. The term "netback", which is calculated as the average unit sales price, less royalties and operating expenses, represents the cash margin for every barrel of oil equivalent sold. These terms do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and, therefore, might not be comparable with the calculation of a similar measure for other companies.

Certain information regarding Titan set forth in this report, including management's assessment of Titan's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond Titan's control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Titan's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Titan can derive therefrom. Readers should be aware that historical results are not necessarily indicative of future performance.

Corporate Overview and Strategy

Titan Exploration Ltd. is an independent, public company actively engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids in Western Canada. The Company's activities are concentrated in three core geographic areas, namely, northeast British Columbia, northwest Alberta and southwest Saskatchewan.

Cash Flow and Net Income

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Cash flow from operations	$ 3,427,589	$ 658,316	$ 12,780,799	$ 965,052
Per share (weighted average Class A and Class B) basic	$ 0.15	$ 0.04	$ 0.68	$ 0.08
Per share (weighted average Class A and Class B) diluted	$ 0.14	$ 0.04	$ 0.65	$ 0.08
Net earnings (loss)	$ 250,516	$ 64,403	$ 3,533,257	$ (166,609)
Per share (weighted average Class A and Class B) basic	$ 0.01	$ 0.00	$ 0.19	$ (0.01)
Per share (weighted average Class A and Class B) diluted	$ 0.01	$ 0.00	$ 0.18	$ (0.01)

Cash flow in 2005, both in an absolute sense and on a per share basis, increased as compared to 2004 due to higher realized oil and natural gas prices and increased production volumes. Assuming commodity prices remain high, management expects cash flow to continue to improve through 2006, as the Company has success in adding additional volumes of light oil and natural gas from its Peace River Arch focus area. The Company's cash flow is also affected by the price that the Company receives for its medium gravity crude oil. As at December 31, 2005, medium gravity crude comprised approximately 32% of the Company's overall production. This production, which comes from the Company's southwest Saskatchewan core area, is subject to a negative price differential. In 2005, the differential averaged 36.5% of WTI. Historically, the annual differential on the medium gravity oil that Titan produces has averaged around 30% of WTI pricing.

Revenue

Total crude oil and natural gas revenues for the year ended December 31, 2005 were $27,797,979 a significant increase over the year ended December 31, 2004, when oil and natural gas revenues totalled $3,345,297. This increase was the result of increased production volumes and stronger commodity pricing.

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Petroleum and Natural Gas Sales				
Natural Gas	$ 2,652,710	$ 628,164	$ 7,250,049	$ 774,198
Crude Oil and NGL's	$ 7,138,238	$ 1,209,766	$ 20,547,930	$ 2,571,099
Gross revenue	$ 9,790,948	$ 1,837,930	$ 27,797,979	$ 3,345,297
Transportation expenses	$ 480,719	$ 157,254	$ 1,334,536	$ 269,553
Net revenue	$ 9,310,769	$ 1,680,676	$ 26,463,443	$ 3,075,744
Realized Prices				
Natural Gas ($/mcf)	$ 11.48	$ 7.07	$ 9.18	$ 7.07
Oil and NGL's ($/bbl)	$ 55.86	$ 31.16	$ 52.94	$ 36.99
Total ($/boe)	$ 58.87	$ 34.27	$ 53.49	$ 38.12
Average Production				
Natural gas (mcf/d)	2,510	965	2,163	550
Oil and NGL's (bbls/d)	1,389	422	1,063	380
Total (boe/d)	1,808	583	1,424	472

For the year ended December 31, 2005, approximately 25% of Titan's overall production was natural gas, with the remaining 75% a mixture of light and medium gravity crude oil. Management anticipates that the Company's production mix in 2006 will remain weighted towards crude oil, although management does expect to have greater exposure to natural gas through its 2006 exploration program.

Titan sells all of its crude oil and natural gas production into the spot market. From time to time, Titan may enter into hedging arrangements to mitigate commodity price risk. Titan does not currently have any hedges in place. Prices received for crude oil and NGL's are determined by the quality of the crude compared to a benchmark price for light, sweet oil. As at December 31, 2005, approximately 68% of Titan's overall production was medium gravity (22° API) crude oil, whereas the Edmonton light price is 40° API crude oil. Management expects that production of medium gravity crude oil, as a percentage of overall production, will decrease through 2006 as additional volumes of light oil and natural gas are brought on stream.

Royalties

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Royalties	$ 1,869,706	$ 437,474	$ 5,013,619	$ 694,875
On a per boe basis	$ 11.24	$ 8.16	$ 9.65	$ 7.92
As a percentage of revenue	19.10%	23.8%	18.0%	20.8%

Operating Expenses

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Operating expenses	$ 2,628,120	$ 556,858	$ 5,830,387	$ 915,304
On a per boe basis	$ 15.80	$ 10.38	$ 11.22	$ 10.43
As a percentage of revenue	26.8%	30.0%	21.0%	27.4%
Transportation costs	$ 480,719	$ 157,254	$ 1,334,536	$ 269,553
On a per boe basis	$ 2.89	$ 2.93	$ 2.57	$ 3.07
As a percentage of revenue	4.9%	8.5%	4.8%	8.1%

Operating costs were unusually high in Q4 of 2005 due primarily to facility upgrades, increased costs at the Company's Seal property, certain one time costs incurred during the quarter and as a result of a high number of workovers completed during the quarter at Seal, Pouce Coupe and Battle Creek. Management expects operating costs to decrease on a per boe basis through 2006 and continues to target corporate operating costs below $10 per boe. This anticipated decrease is attributable to increased production volumes and expected operating cost savings at Seal where the Company's operating costs have historically been running at approximately $15 per boe.

Operating Netbacks

	Three Months Ended		Year Ended	
Operating Netbacks ($/boe)	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Revenue	$ 58.87	$ 34.27	$ 53.49	$ 38.77
Royalties	$ 11.24	$ 8.16	$ 9.65	$ 7.92
Operating expenses	$ 15.80	$ 10.38	$ 11.22	$ 10.43
Transportation costs	$ 2.89	$ 2.93	$ 2.57	$ 3.07
Operating netbacks	$ 28.94	$ 12.80	$ 30.05	$ 17.35

The increase in operating netbacks for the year ended December 31, 2005, as compared to 2004 is directly related to an overall increase in commodity prices during 2005, as well as the addition of significant volumes of light oil and natural gas to Titan's overall production mix.

General and Administrative Expenses

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
G&A expenses	$ 1,248,180	$ 200,596	$ 3,419,604	$ 824,770
Less capitalized G&A	$ (559,370)	$ (141,188)	$ (1,517,817)	$ (267,070)
G&A expenses (cash portion)	$ 688,810	$ 59,408	$ 1,901,787	$ 557,700
Add stock based compensation (non cash)	$ 154,593	$ 36,051	$ 407,181	$ 61,888
Total G&A expenses as reported	$ 843,403	$ 95,459	$ 2,308,968	$ 619,588
G&A expenses (cash portion) on a per boe basis	$ 4.14	$ 1.11	$ 3.66	$ 6.36
G&A expenses (cash portion) as a percentage of revenue	7.0%	3.2%	6.8%	16.7%

In 2005 Titan capitalized $1,517,817 of its G&A expenses that were directly related to geological and geophysical work performed to generate exploration prospects. Management does not anticipate any significant staff additions through 2006 and expects that Titan's G&A expenses will decrease on a per boe basis through 2006 as production is increased. G&A expenses for the year ended December 31, 2005 included the amount of $482,300 paid out as employee bonuses relating to the 2005 fiscal year and $177,500 paid out as employee bonuses relating to the 2004 fiscal year.

Stock Based Compensation

During the year ended December 31, 2005, 1,120,000 options were issued to employees and consultants at fair values ranging from $2.40 to $3.50 per unit as determined by the Black-Scholes model. The stock based compensation expense for the year ended December 31, 2005 was $407,181 with a corresponding credit to contributed surplus. Assumptions used in the Black-Scholes model were a risk free interest rate of 5%, a 5 year life and an average volatility of 51%.

Capital Expenditures

In 2005, Titan embarked upon an aggressive exploration and development drilling program and continued to invest in land, seismic and production facilities necessary to fuel future growth. Total capital expenditures for the current year were $68,696,090, including the acquisition of Virtus Energy Ltd.

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Land/Seismic	$ 4,486,668	$ 691,582	$ 8,126,033	$ 1,771,886
Drilling and Completions	$ 16,608,320	$ 4,815,537	$ 27,315,447	$ 6,891,699
Equipment & Facilities	$ 2,137,161	$ 1,763,048	$ 3,687,699	$ 2,092,198
Other	$ -	$ 363,583	$ 1,062,786	$ 715,329
Total	$ 23,232,149	$ 7,633,750	$ 40,191,965	$11,471,112
Acquisitions	$ -	$ 6,270,000	$ 28,504,125	$13,262,846
Total	$ 23,232,149	$ 13,903,750	$ 68,696,090	$24,733,958

Depletion and Depreciation

	Three Months Ended		Year Ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Depletion and depreciation expense	$ 2,681,112	$ 529,596	$ 6,424,104	$ 960,679
Accretion expense	$ 55,956	$ 9,889	$ 128,554	$ 33,023
Total	$ 2,737,068	$ 539,485	$ 6,552,658	$ 993,702
Total per boe	$ 16.46	$ 10.06	$ 12.61	$ 11.32

Titan follows the full cost method of accounting as described in the CICA's accounting guideline 16, "Oil and gas accounting - Full Cost". Accordingly, the cost of all wells, both successful and unsuccessful, are added to the Company's capital base and are depleted at the rate of production over the remaining proven reserves as determined by the independent reserve report relating to the Company's assets prepared by McDaniel & Associates Consultants Ltd. dated December 31, 2005.

Income Taxes

Future income tax expense of $2,287,703 was recorded for the year ended December 31, 2005 and $76,071 for the year ended December 31, 2004. Current income tax was $411,793 (2004 - $nil), consisting of $43,064 of large corporations tax and $368,729 of Saskatchewan resource surcharge tax.

Tax Pools

The following table summarizes Titan's estimated tax pool balances by classification.

	2005
Canadian exploration expenses (CEE)	$ 974,030
Canadian development expenses (CDE)	$10,174,818
Canadian oil and gas property expense (COGPE)	$16,856,473
Undepreciated capital costs (UCC)	$17,771,655
Share issue costs	$ 3,108,388
Total	$48,885,364

Capitalization

	Year Ended	
Outstanding Shares	December 31 2005	December 31 2004
Weighted Average Class A Shares Outstanding		
- Class A, basic	17,041,100	7,865,152
- Class A, on conversion of Class B[1]	1,693,144	4,149,590
- Diluted, both Class A and B[1]	18,734,244	12,014,743
Outstanding Securities		
- Class A Shares	23,860,512	10,880,000
- Class B Shares	1,012,500	1,012,500
- Options	2,026,500	1,038,000

(1) Assumes conversion of Class B Shares as at December 31, 2005 at a price of $5.98 per Class A Share and as at December 31, 2004 at a price of $2.44 per Class A Share

The Company's Class B Shares are convertible (at the option of the Company) at any time after June 30, 2007 and before June 30, 2009, into Class A Shares. The number of Class A Shares obtained upon the conversion of each Class B Share will be equal to $10.00 divided by the greater of $1.00 and the weighted average trading price of the Class A Shares during the thirty days prior to the reporting date. If conversion has not occurred by the close of business on June 30, 2009, the Class B Shares become convertible (at the option of the shareholder) into Class A Shares on the same basis. Effective August 1, 2009, all remaining Class B Shares will be automatically converted to Class A Shares.

Liquidity

The Company currently has a $21,000,000 revolving bank credit facility. The facility bears interest at prime plus 1/4% and is secured by a general charge over all of the Company's assets. As at December 31, 2005, a total of $10,890,000 was drawn on the company's bank facility. The facility is a borrowing base facility that is determined based on, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices and the current economic environment. Except as described above, Titan does not have any debt facilities or capital leases in place.

On an ongoing basis, Titan will typically utilize three sources of funding to finance its capital expenditure program; internally generated cash flow from operations, debt where deemed appropriate and new equity issues if available on favourable terms. When financing corporate acquisitions, the Company may also assume certain future liabilities. In addition, the Company may adjust its capital expenditure program depending upon commodity price outlook.

The capital intensive nature of the Company's activities may create a negative working capital position in quarters with high levels of capital investment. The Company will maintain the total negative working capital plus the outstanding bank debt within the Company's credit line.

The industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month of sale. As a result the Company's production revenues are collected in an orderly fashion. The Company monitors its revenue counterparty credit positions to mitigate any potential credit losses. To the extent that the Company has joint venture partners in its activities it must collect on a monthly basis partners' share of capital and operating expenses. These are subject to normal collection risk. The Company normally collects significant amounts related to partners' share of capital amounts in advance of expenditures taking place in accordance with standard industry operating procedures.

On April 21, 2005 Titan closed a "bought deal" financing for total gross proceeds of $12,000,000. The offering was fully subscribed, resulting in a total of 4,000,000 Class A Shares being issued at a price of $3.00 per share. Proceeds from the offering were used to partially fund the Company's 2005 exploration and development program and for general corporate purposes.

On June 24, 2005 Titan completed the acquisition of Virtus Energy Ltd. ("Virtus") by way of Plan of Arrangement (the "Arrangement") under the Business Corporations Act (Alberta). Pursuant to the terms of the Arrangement, each shareholder of Virtus received $0.56 of consideration per Virtus share from Titan in cash, Titan Class A Shares or a combination thereof. The total consideration paid by Titan consisted of an aggregate of $4.65 million cash and 5,828,162 Class A Shares of Titan.

On November 29, 2005 Titan closed a "bought deal" financing for total gross proceeds of $14,250,000. The offering was fully subscribed, resulting in a total of 3,000,000 Class A Shares being issued at a price of $4.75 per share. Proceeds from the offering were used to partially fund the Company's 2005 exploration and development program and for general corporate purposes.

Commitments

As part of the Company's exploration and development strategy it will, from time to time, commit to industry partners to drill wells and/or shoot seismic in order to earn positions in contiguous land blocks in core areas. As at December 31, 2005, Titan had outstanding commitments to drill 1 well. The total capital commitments relating to this operation is approximately $1.03 million. This commitment was satisfied in the first quarter of 2006. Office space has been leased under a three year lease at $18,345 per month. No other operating or capital leases or commitments have been entered into.

As part of the Company's initial public offering, the Company was committed to incur and renounce $11.25 million of qualifying expenditures to the holders of Class A Shares and Class B Shares. This commitment was fully satisfied by December 31, 2005. The Company currently does not have any outstanding flow-through share commitments.

		Payments			
	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Office and vehicle leases	$ 265,905	$ 212,724	$53,181	-	-
Farm-in commitments	$1,030,000	$1,030,000	-	-	-
Total	$1,295,905	$1,242,724	$53,181	-	-

Quarterly Results

The following table summarizes certain quarterly financial information relating to the Company.

	2005			
	Q1	Q2	Q3	Q4
Revenues	$ 3,641,083	$ 3,912,242	$ 10,453,706	$ 9,790,948
Net income (loss)	$ 388,065	$ 454,882	$ 2,439,794	$ 250,516
per share (basic)	$ 0.03	$ 0.03	$ 0.11	$ 0.01
per share (diluted)	$ 0.03	$ 0.02	$ 0.10	$ 0.01
Total assets	$ 30,232,323	$ 73,752,463	$ 83,957,627	$ 102,161,838
Total bank debt	$ 7,240,000	$ 9,650,000	$ 14,770,000	$ 10,890,000

	2004			
	Q1	Q2	Q3	Q4
Revenues	$ -	$ 66,738	$ 1,497,816	$ 1,837,930
Net income (loss)	$ (41,840)	$ (338,945)	$ 149,773	$ 64,402
per share (basic)	$ (0.02)	$ (0.03)	$ 0.01	$ 0.00
per share (diluted)	$ (0.02)	$ (0.03)	$ 0.01	$ 0.00
Total assets	$ 1,043,416	$ 12,040,242	$ 21,686,374	$ 30,341,438
Total bank debt	$ -	$ -	$ -	$ 3,600,000

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to them by others within those entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Critical Accounting Policies

Certain accounting estimates are identified as critical accounting estimates because they form an integral part of Titan's financial position and also require management to make judgements and estimates based on conditions and assumptions that are inherently uncertain. These accounting estimates could result in materially different results should the underlying assumptions or conditions change. Management's assumptions are based on Titan's historical experience, management's experience and other factors that, in management's opinion, are relevant and appropriate. Management's assumptions may change over time as further experience is gained or as operating conditions change.

Significant Accounting Policies

See Note 2 to the audited consolidated financial statements of the Company for the year to date period ended December 31, 2005 for a summary of the significant accounting policies employed by the Company.

Risk Factors

Titan is engaged in the exploration, development and production of crude oil and natural gas. There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector. Operationally, the Company faces risks that are associated with finding, developing, and producing oil and gas reserves. These include risks associated with drilling and completion, reservoir performance uncertainties, access to processing facilities, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates, access to capital markets, and the cost of goods and services.

Titan attempts to mitigate these risks by employing highly qualified people, utilizing sound operating and business practices, and evaluating all potential and existing wells using the latest applicable technology. Titan complies with government regulations and has in place an up-to-date emergency response test. Environment and safety policies and standards are adhered to. Asset retirement obligations are recognized upon acquisition, construction, development and/or normal use of the assets. Titan maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable or insurable.

The following reviews the general and specific risks and includes Titan's approach to managing these risks.

Exploration Risk – Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Titan attempts to minimize finding risk by ensuring that:

- the majority of its prospects have multi-zone potential;
- its activity is focused in core regions where management's expertise and experience is greatest;
- the number of wells drilled is large enough to increase the probability of statistical success rates;
- working interests are targeted at over 50 percent in new prospects; and
- geophysical techniques are utilized where appropriate.

Investment Risk Profile – The Company's investment selection process is based on risk analysis to ensure capital expenditures bálance the objectives of immediate cash flow growth (development activity) and future cash flow from the discovery of reserves (exploration). This careful prospect selection process can yield consistent and efficient results. The Company focuses its activity in a small number of core areas and concentrates on play types with which management is familiar, allowing it to leverage off its experience and knowledge in these areas. The Company will consider the use of farmouts to minimize risk on plays it considers higher risk.

Production – Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Titan minimizes this risk by generating exploration prospects internally, targeting high quality products and attempting to operate the associated project. Operational control allows the Company to control costs, timing, method and sales of production. Production risk is also minimized by concentrating exploration efforts in regions where facilities and infrastructure are Titan owned, or the Company can control the future development of new facilities and infrastructure.

Reserve Estimates – Estimates of economically recoverable oil and natural gas reserves (including natural gas liquids) and the future net cash flows there from are based upon a number of variable factors and assumptions, such as commodity prices, projected production from the properties, the assumed effects of regulation by government agencies and future operating costs. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, may vary. The Company's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

The Company's independent engineering firm, McDaniel & Associates Consultants Ltd. ("McDaniel"), uses a deterministic approach in the estimation of reserves. Reserves are assessed using a discrete value for each parameter in the calculation of reserves, such that the resultant reserve value is consistent with the certainty level associated with the reserve classification. Where deemed appropriate, risk modeling is utilized to determine reserve probability distributions. Regardless of which method is employed, the following definitions are followed by McDaniel in their analysis:

- Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Financial and Liquidity Risks

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. On an ongoing basis, Titan will typically utilize three sources of funding to finance its capital expenditure program; internally generated cash flow from operations, debt where deemed appropriate and new equity issues if available on favourable terms.

Cash flow is influenced by factors, which the Company cannot control, such as commodity prices, the US/Cdn exchange rate, interest rates and changes to existing government regulations and tax policies. Should circumstances affect cash flow in a detrimental way, the Company may have limited ability to expend the capital necessary to undertake or complete future drilling programs. In such circumstances, Titan would be required to either reduce the level of its capital expenditures or supplement its capital expenditure program with additional debt and/or equity financing. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Environmental and Safety Risks

There are potential risks to the environment inherent in the business activities of the Company. Titan has developed and implemented policies and procedures to mitigate environmental, health and safety (EH&S) risks. These policies and procedures are designed to protect and maintain the environment, and public and employee safety, with respect to all corporate operations on behalf of shareholders, employees and the public at large. The Company mitigates environmental and safety risks by maintaining its facilities, complying with all provincial and federal environmental and safety regulations and maintaining adequate insurance. The Company has estimated asset retirement obligations of $2,619,017 as at December 31, 2005. The Company recognizes period-to-period changes in the liability of the asset retirement obligation resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

Inflation Risks

Inflation risks subject the Company to potential erosion of product netbacks. For example, increasing domestic prices for oil and natural gas production equipment and services can inflate the costs of operations.

Competitive Industry Conditions

The oil and gas industry is highly competitive. The Company's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Company.

The Company actively competes for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than the Company. The Company's competitors include major integrated oil and natural gas companies, income trusts and numerous other independent oil and natural gas companies and individual producers and operators.

The Company attempts to mitigate competitive risks through the pursuit of strategic farmins and the internal generation of its own exploration prospects. The goal of these efforts is to build a quality inventory of undeveloped lands and drillable prospects that can fuel future growth.

Supply of Service and Production Equipment

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity these services and supplies can become difficult to obtain. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. The Company attempts to mitigate this risk by developing strong long term relationships with suppliers and contractors and maintains an appropriate inventory of production equipment.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Company's oil and gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices from historical average prices could limit or reduce the Company's borrowing base, therefore reducing the bank credit available to the Company, and could require that a portion of any existing bank debt of the Company be repaid.

In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Company. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Company will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company has limited direct experience in the marketing of oil and natural gas.

Risk Management

Titan may, from time to time, enter into physical hedges or financial derivative instruments in order to manage its commodity price risk.

Outlook

The following discussion reflects management's expectations for 2006, as discussed throughout this MD&A. A number of risk factors and developments may positively or negatively affect the actual results for 2006 including, without limitation, those risk factors set out above under the heading "Risk Factors".

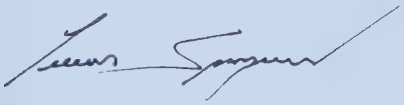
Management's Responsibility for Financial Reporting

The financial statements of Titan Exploration Ltd. were prepared by management in accordance with appropriately selected generally accepted accounting principles in Canada. Management has used estimates and careful judgment, particularly in those circumstances where transactions affecting current periods are dependent on information not known for certain until a future period.

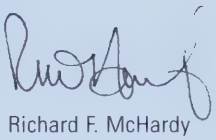
Management is responsible for the integrity of the financial and operational information contained in this report. The Corporation has designed and maintains internal controls to provide reasonable assurance that assets are properly safeguarded and that the financial records are well maintained and provide relevant, timely and reliable information to management. The financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in the notes to the financial statements.

External auditors appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to audit the consolidated financial statements of the Corporation and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Audit Committee has met with the external auditors and management in order to determine if management has fulfilled its responsibilities in the preparation of the financial statements. The members of the Audit Committee are composed of independent directors who are not employees of the Corporation. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.



Trevor R. Spagrud
President and Chief Executive Officer
March 3, 2006



Richard F. McHardy
Vice President, Finance and Chief Financial Officer
March 3, 2006

AUDITORS' REPORT

To the Shareholders of
Titan Exploration Ltd.

We have audited the consolidated balance sheets of Titan Exploration Ltd. as at December 31, 2005 and 2004 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the periods then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
March 3, 2006

TITAN EXPLORATION LTD.

Consolidated Balance Sheets

As at December 31

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 55,170	$ 1,180,871
Accounts Receivable	7,812,335	1,853,085
Prepaid expenses and deposits	346,327	226,915
	8,213,832	3,260,871
Property, plant and equipment (note 4)	86,616,110	24,344,124
Goodwill (note 3)	7,331,896	2,736,443
	$ 102,161,838	$ 30,341,438
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 17,095,151	$ 6,959,825
Bank loan (note 5)	10,890,000	3,600,000
	27,985,151	10,559,825
Long-term liabilities		
Asset retirement obligation (note 6)	2,619,017	497,535
Future tax liability (note 9)	12,145,158	2,183,100
	14,764,175	2,680,635
	42,749,326	13,240,460
Shareholders' Equity		
Share capital (note 7)	55,576,795	17,205,699
Contributed surplus (note 7)	469,069	61,888
Retained earnings (deficit)	3,366,648	(166,609)
	59,412,512	17,100,978
	$ 102,161,838	$ 30,341,438

The accompanying notes are integral to the financial statements.

Approved by the Board of Directors

Michael Stark
Director

Trevor Spagrud
Director

TITAN EXPLORATION LTD.

Consolidated Statement of Operations and Retained Earnings (Deficit)

For the Year Ended December 31, 2005 and the
Period January 6, 2004 to December 31, 2004

	2005	January 6, 2004 to December 31 2004
Revenue		
Revenue	$ 27,797,979	$ 3,345,297
Royalties	(5,013,619)	(694,875)
Interest income	-	57,187
	22,784,360	2,707,609
Expenses		
Operating expenses	5,830,387	915,304
Transportation costs	1,334,536	269,553
General and administrative	2,308,968	619,588
Interest expense	525,058	-
Depletion, depreciation and accretion	6,552,658	993,702
	16,551,607	2,798,147
Earnings (loss) before income taxes	6,232,753	(90,538)
Current income tax expense	411,793	-
Future income tax expense	2,287,703	76,071
	2,699,496	76,071
Earnings (loss) for the year	3,533,257	(166,609)
Retained earnings (deficit) - Beginning of year	(166,609)	-
Retained earnings (deficit) - End of year	$ 3,366,648	$ (166,609)
Basic earnings (loss) per common share	$ 0.19	$ (0.01)
Diluted earnings (loss) - per common share	$ 0.18	$ (0.01)

The accompanying notes are integral to the financial statements.

TITAN EXPLORATION LTD.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2005 and the
Period January 6, 2004 to December 31, 2004

	2005	January 6, 2004 to December 31 2004
Cash and cash equivalents provided by (used in)		
Operating activies		
Net earnings (loss) for the period	$ 3,533,257	$ (166,609)
Items not affecting working capital		
Depletion, depreciation and accretion	6,552,658	993,702
Future income taxes	2,287,703	76,071
Stock based compensation	407,181	61,888
Funds flow from operations	12,780,799	965,052
Net change in non-cash operating working capital items	(12,543,507)	2,472,429
	237,292	3,437,481
Financing activities		
Issuance of common shares	26,833,710	17,820,000
Share issue costs	(2,268,230)	(1,408,116)
Bank loan	7,290,000	3,600,000
Net change in non-cash financing working capital items	-	48,376
	31,855,480	20,060,260
Investing activities		
Acquisition of Virtus Energy Ltd. (note 3)	(4,750,000)	-
Acquisition of 1075264 Alberta Ltd. (note 3)	-	(312,912)
Acquisition of Shawnee Oils Inc. (note 3)	-	(9,165,846)
Expenditures on property, plant and equipment	(39,836,628)	(14,741,112)
Net change in non-cash investing working capital items	11,368,155	1,903,000
	(33,218,473)	(22,316,870)
Change in cash and cash equivalents during the period	(1,125,701)	1,180,871
Cash and cash equivalents - beginning of period	1,180,871	-
Cash and cash equivalents - end of period	55,170	1,180,871

Supplemental cash flow information (note 10)

The accompanying notes are integral to the financial statements

TITAN EXPLORATION LTD.

Notes To Consolidated Financial Statements

For the Year Ended December 31, 2005 and the Period January 6, 2004 to December 31, 2004

1. Incorporation

Titan Exploration Ltd. (the "Corporation" or "Titan") was incorporated under the laws of the Province of Alberta on January 6, 2004. The Corporation was formed to operate in Canada as an oil and gas exploration, development and production company.

2. Significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These consolidated financial statements include the accounts of Titan and its subsidiary companies 1075264 Alberta Ltd., Titan Saskatchewan Ltd., Virtus Energy Ltd. and its 100% ownership in the Titan Canada Resources partnership (collectively the "Corporation" or "Titan" for purposes of the following notes to the financial statements). All material intercompany accounts and transactions have been eliminated. Substantially all exploration, development and production activities related to Titan's oil and gas business are conducted jointly with others and the accounts reflect only Titan's proportionate interest.

Management has made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Accordingly, actual results may differ from estimated amounts but management does not believe such differences will materially affect the Corporation's financial position or results of operations.

Significant accounting policies are summarized as follows:

a) Oil and gas operations

The Corporation is engaged in the exploration for and production of oil and natural gas in Canada.

The Corporation follows the full cost method of accounting for oil and gas operations whereby all costs related to the acquisition of, exploration for, and development of oil and gas reserves are capitalized into a single Canadian cost centre. Such costs include leasehold acquisition costs, geological and geophysical costs, lease rentals on non-producing properties, drilling, plant and equipment costs and related overhead. Government incentives are credited to the cost of the oil and gas properties at the time the expenditures are incurred. Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets with no gain or loss recognized, unless such a sale would result in a change of more than 20% in the depletion rate.

Costs of acquiring unproved properties are initially excluded from the full cost pool and are assessed yearly to ascertain whether impairment has occurred. When proved reserves are assigned to the property or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the full cost pool. Depletion of petroleum and natural gas properties and depreciation of production equipment is calculated using the unit of production method based upon estimated proved reserves, before royalties, as determined by an independent engineer. For purposes of the calculation, natural gas reserves and production will be converted to equivalent volumes of petroleum based upon relative energy content.

The Corporation places a limit on the carrying value of property, plant and equipment and other assets, which may be depleted against revenues of future periods (the "ceiling test"). The carrying value is assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves using forecasted prices, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the fair value of proved and probable reserves, and the cost, less any impairment, of unproved properties that contain no probable reserves.

Depletion is computed using the unit-of-production method based on gross estimated proved oil and gas reserves (converted to equivalent units on the basis of estimated relative energy content). In determining the appropriate depletion rate, the Corporation includes the net book value of its oil and gas properties, as well as the estimated future costs to be incurred in developing proved reserves and excludes the unimpaired cost attributable to unproved properties.

b) Depreciation

Depreciation of furniture and fixtures and leasehold improvements is calculated using the declining balance method at an annual rate of 20%. Depreciation of computer hardware and software is calculated using the declining balance method at an annual rate of 30%.

c) Asset Retirement Obligation

The Corporation recognizes legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal use of assets. A liability for the asset retirement obligation will be recognized when incurred, recorded at fair value and classified as a long-term liability in the balance sheet. When the liability is initially recorded, the entity will record the net present value of the cost with an increase in the carrying value of the related long-lived asset. The capitalized amount is depleted on a unit of production basis over the life of the reserves. The liability amount is increased each reporting period due to the passage of time and the amount of the accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or the original estimated undiscounted cost would also result in an increase or decrease to the liability. Actual costs incurred upon settlement of the liability are charged against the liability to the extent of the liability recorded. Any differences between the actual costs incurred upon settlement of the liability and the recorded liability is recognized as a gain or loss in the Corporation's earnings in the period in which the settlement occurs.

d) Future Income Taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, the Corporation records future income taxes for the effect of any differences between the accounting and the income tax basis of an asset or liability using income tax rates substantively enacted on the balance sheet date. The effect of a change in income tax rates on the future income tax assets and liabilities is recognized in income in the period of the change.

e) Flow-through Shares

The Corporation issues flow-through shares and the resultant proceeds are used to fund exploration and development expenditures within a defined time period. The income tax deductions associated with the expenditures funded by flow-through arrangements are renounced to investors in accordance with the appropriate tax legislation. A future tax liability is recognized upon the renunciation of tax pools and related filings with the tax authorities, and share capital is reduced.

f) Revenue Recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids owned by the Corporation are recognized when title passes from the Corporation to its customers.

g) Per Share Information

Per share information will be computed using the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. This method assumes that any proceeds from the exercise of in-the-money stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. For purposes of the dilution calculation the Class B Shares are assumed to be converted at the greater of $1 and the price of the Class A Shares at the reporting date.

h) Stock-based Compensation

The Corporation follows the fair value method for recognition of stock and stock options awarded to directors, officers and employees. Under this method, the equity instruments are recorded at their fair value based on the market price of stock on the date of grant. For stock options, the fair value is estimated using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period of the stock or stock options.

Stock or stock options granted to non-employees for goods or services provided are recognized based on the fair value of the consideration received, or the fair value of the equity instruments, whichever is more reliably measurable.

The Corporation records stock based compensation expense on the Statement of Operations as general and administrative expense with a corresponding increase recorded on the balance sheet as contributed surplus.

i) Joint Ventures

Substantially all of the Corporation's activities are conducted jointly with other industry partners and accordingly, these financial statements reflect only the Corporation's proportionate interest in such activities.

j) Comparative Figures

The comparative figures for the period January 6, 2004 to December 31, 2004 have been restated to conform to the 2005 presentation.

k) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is assessed for impairment annually, or more frequently, if economic or other circumstances suggest an impairment has occurred, by comparing the fair value of the associated reporting unit to its book value. Where the fair value of the reporting unit exceeds the unit's book value, the fair value of the goodwill is estimated by deducting the fair value of all assets and liabilities in the reporting unit from the unit's total fair value. Any excess of the recorded value of goodwill over its estimated fair value is recognized as an impairment.

3 Acquisition of Virtus Energy Ltd.

On June 24, 2005 Titan purchased all of the outstanding shares of Virtus Energy Ltd. ("Virtus"), an oil and gas exploration and development company, in exchange for $4,650,000 in cash and 5,828,162 Class A shares of Titan. In addition, Titan issued 158,850 share purchase warrants exercisable at prices between $3.33 and $4.72 per warrant. These warrants were only outstanding for 90 days and expired on September 22, 2005. There were 152,350 warrants which were exercised during the year for proceeds of $583,710. The revenue and expenses of Virtus have been included in the statement of operations effective June 24, 2005. The acquisition was accounted for by the purchase method for accounting purposes.

The values assigned to the net assets of Virtus are as follows:

Working capital (deficiency)	$	(249,247)
Property, plant and equipment		28,504,125
Goodwill		4,595,453
Bank indebtedness		(4,982,769)
Asset retirement obligation		(1,637,591)
Future income taxes		(4,513,670)
	$	21,716,301

Paid by		
Cash	$	4,650,000
Shares issued	$	16,966,301
Transaction costs		100,000
	$	21,716,301

Acquisition of 1075264 Alberta Ltd.

On June 15, 2004, Titan purchased all of the outstanding shares of 1075264 Alberta Ltd. ("1075264"), an oil and gas exploration and production company, in exchange for $567,000 in cash and 100,000 Class A shares of Titan. The revenues and expenses of 1075264 have been included in the statement of operations effective June 15, 2004.

The net assets acquired and liabilities assumed were as follows:

Working capital (Including cash acquired of $264,088)	$	159,548
Property, plant and equipment		981,762
Goodwill		99,331
Asset retirement obligation		(40,441)
Future income taxes		(373,200)
	$	827,000

Paid by		
Cash	$	567,000
Shares issued	$	250,000
Acquisition costs		10,000
	$	827,000

Acquisition of Shawnee Oils Inc.

On July 15, 2004, Titan purchased all of the outstanding shares of Shawnee Oils Inc. ("Shawnee"), an oil and gas exploration and production company, in exchange for $5,878,658 in cash and $3,287,188 in assumption of bank debt and shareholder loan obligations. The revenues and expenses of Shawnee have been included in the statement of operations effective July 15, 2004

The net assets acquired and liabilities assumed were as follows:

Property, plant and equipment	$ 9,385,200
Goodwill	2,637,112
Working capital	62,832
Fair value of hedge contract	(414,312)
Asset retirement obligations	(227,342)
Future income taxes	(2,371,881)
Previously unrecognized tax assets	94,237
	$ 9,165,846

Paid by	
Cash	$ 5,878,658
Repayment of bank debt and shareholder loans	3,287,188
	$ 9,165,846

4. Property Plant & Equipment

	Cost	Accumulated depletion and depreciation	Net
December 31, 2005			
Petroleum and natural gas	$ 93,289,717	$ 7,217,938	$ 86,071,779
Furniture and fixtures	711,176	166,845	544,331
	$ 94,000,893	$ 7,384,783	$ 86,616,110
December 31, 2004			
Petroleum and natural gas	$ 24,961,116	$ 906,938	$ 24,054,178
Furniture and fixtures	343,687	53,741	289,946
	$ 25,304,803	$ 960,679	$ 24,344,124

Unproven property costs of $17,694,690 (2004 - $4,513,495) have been excluded from capitalized costs subject to depletion. Included in the petroleum and natural assets is $1,517,817 of general and administrative costs which were capitalized during 2005 (2004 - $267,070). The Corporation does not capitalize any portion of the stock-based compensation expense. At December 31, 2005 the Corporation had approximately $48.8 million (2004 - $17.6 milliion) of tax pools available to reduce future taxable income.

The prices used in the ceiling test evaluation of the Corporation's natural gas, crude oil and natural gas liquids reserves at December 31, 2005 were:

Years	2006	2007	2008	2009	2010	Increase thereafter to 2020
Oil (WTI $US/bbl)	57.50	55.40	52.50	49.50	46.90	+2.5%/yr.
Liquids (Edmonton NGL mix C$/bbl)	51.40	48.90	45.80	42.60	40.20	+2.5%/yr
Natural gas (Alberta AECO C$/mcf)	9.90	9.05	8.15	7.25	6.85	+2.5%/yr

Prices received by the Corporation for their oil and natural gas products may differ from the ones listed above because of quality differentials, marketing arrangements or purchase points variances.

5 Bank Indebtedness

Bank indebtedness represents the outstanding balance under a line of credit of $21,000,000. Drawings bear interest at 0.25% above the bank's prime lending rate. Security is provided by a first charge over all of the Corporation's assets. The balance is repayable on demand. While the loan is due on demand, the Corporation is not subject to scheduled repayments.

6 Asset Retirement Obligation

Total future asset retirement obligations were estimated by management based on the Corporation's working interest in its wells and facilities, estimated costs to remediate, reclaim and abandon the wells and facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its total asset retirement obligations to be $2,619,017 at December 31, 2005 (2004 - $497,535) based on a total future liability of $4,572,022 (2004 - $921,118). These costs are expected to be incurred over the next five to fifteen years. The Corporation's credit adjusted risk free interest rate of 9% and an average inflation rate of 2.5% were used to calculate the net present value of asset retirement obligations.

Asset Retirement Obligation Continuity Table	2005	2004
Asset retirement obligation at beginning of year	$ 497,535	$ -
Amounts set-up on acquisition of resource assets	1,992,928	464,512
Accretion expense during year	128,554	33,023
Asset retirement obligation at December 31	2,619,017	497,535
Estimated accretion expense in future years	1,953,005	423,583
Estimated future liability as at December 31	$ 4,572,022	$ 921,118

7 Share Capital

Authorized

Unlimited number voting Class A Shares

Unlimited number of voting Class B Shares, convertible (at the option of the Corporation) at any time after June 30, 2007 and before June 30, 2009, into Class A Shares. The number of Class A Shares obtained upon the conversion of each Class B Share will be equal to $10.00 divided by the greater of $1.00 and the weighted average trading price of the Class A Shares during the thirty days prior to the reporting date. If conversion has not occurred by the close of business on June 30, 2009,. the Class B Shares become convertible (at the option of the shareholder) into Class A Shares on the same basis. Effective August 1, 2009, all remaining Class B Shares will be automatically converted to Class A Shares.

Unlimited number of preferred shares, issuable in series

Issued and outstanding

	Number of Shares	Amount
Class A Shares		
Issued in exchange for cash as initial private capital	3,940,000	$ 985,000
Issued in exchange for private capital	340,000	85,000
Issued on initial public offering (flow-through shares)	4,500,000	1,125,000
Issued to acquire 1075264 Alberta Ltd.	100,000	250,000
Issued in exchange for private capital	2,000,000	5,500,000
Less: Share issue costs, net of future tax of $192,412		(305,804)
Balance - December 31, 2004	10,880,000	7,639,196
Issued in exchange for private capital	4,000,000	12,000,000
Issued to acquire Virtus Energy Ltd.	5,828,162	16,966,301
Issued on exercise of warrants	152,350	583,710
Issued in exchange for private capital	3,000,000	14,250,000
Less: Tax effect of flow-trhough shares		(3,958,875)
Less: Share issue costs, net of future tax of $798,190		(1,470,040)
Balance - December 31, 2005	23,860,512	46,010,292
Class B Shares		
Issued on initial public offering (flow-through shares)	1,012,500	10,125,000
Less: Share issue costs, net of future tax of $351,403		(558,497)
Balance - December 31, 2004 and 2005	1,012,500	9,566,503
Total - December 31, 2005		$ 55,576,795

Earnings (loss) per common share is calculated using the weighted average number of Class A shares outstanding and by converting the Class B shares at $10 divided by the 30-day weighted average price of the Class A shares for the month of December 2005 of $5.98 (2004 - $2.44).

	2005	2004
Class A Shares		
Weighted average outstanding during year	17,041,100	7,865,153
Class B Shares		
Weighted average outstanding during year *(after converting to Class A using $5.98 average price for 2005 and $2.44 for 2004)*	1,693,144	4,149,590
Total - weighted average shares outstanding	18,734,244	12,014,743
Actual number of Class A shares outstanding at end of year	23,860,512	10,880,000
Actual number of Class B shares outstanding at end of year	1,012,500	1,012,500
Earnings (loss) per share - basic	$0.19	($0.01)
Earnings (loss) per share - diluted	$0.18	($0.01)

Stock options

	Number of options	Weighted-average Exercise price ($)
Outstanding - beginning of 2004	-	-
Granted	1,083,000	$0.80
Cancelled	(45,000)	($0.35)
Exercised	-	-
Outstanding - December 31, 2004	1,038,000	$0.82
Granted 1,120,000	$2.98	
Cancelled	(131,500)	($0.72)
Outstanding - December 31, 2005	2,026,500	$2.02

Stock options outstanding and vested at December 31, 2005

Options Outstanding			Options Vested		
Options	Price	Wtd. Avg. Life Remaining *(in years)*	Options	Price	Wtd. Avg. Life Remaining *(in years)*
721,500	$0.35	3.32	240,500	$0.35	3.32
50,000	$2.75	3.74	16,667	$2.75	3.74
135,000	$2.75	3.83	45,000	$2.75	3.83
60,000	$2.41	4.07			
40,000	$2.40	4.12			
7,500	$2.95	4.16			
20,000	$3.00	4.21			
917,500	$3.00	4.51			
75,000	$3.50	4.63			
2,026,500		4.00	302,167		3.42

In 2005, 1,120,000 options were issued to employees and consultants at a fair values ranging from $2.40 to $3.50 per unit as determined by the Black-Scholes model. The stock-based compensation expense for 2005 was $407,181, with a corresponding credit to contributed surpls. Assumptions used in the Black-Scholes model were a risk free interest rate of 5%, a 5-year life and a volatility averaging 51%.

In 2004, 1,083,000 options were issued to employees and consultants at a fair values ranging from $0.23 to $1.78 per unit as determined by the Black-Scholes model, resulting in compensation expense for 2004 of $61,888, with a corresponding credit to contributed surplus. Assumptions used in the Black-Scholes model were a risk free interest rate of 5%, a 5 year life and a volatility of 75%.

8. Reconciliation of Earnings per Share Calculations

For the year 2005

	Net earnings (loss) for year	Weighted-average shares outstanding	Earnings (loss) per share
Basic	$3,533,257	18,734,244	$0.19
Options assumed exercised		1,498,233	
Shares assumed purchased		(557,134)	
Diluted	$3,533,257	19,675,343	$0.18

For the year 2004

	Net earnings (loss) for year	Weighted-average shares outstanding	Earnings (loss) per share
Basic	($166,609)	12,014,743	($0.01)
Options assumed exercised		833,000	
Shares assumed purchased		(109,195)	
Diluted	($166,609)	12,738,548	($0.01)

Excluded from the above 2004 calculation are 205,000 options, which were "out-of-the-money" at December 31, 2004.

9. Income Taxes

The income tax provision is calculated by applying Canadian federal and provincial statutory tax rates to pre-tax income with adjustments as set out in the following table:

	2005	2004
Earnings before income taxes	$6,232,753	($90,538)
Combined federal and provincial income tax rate	38.83%	38.62%
Computed income tax provision	2,420,178	(34,966)
Increase (decrease) resulting from:		
Resource allowance	(981,788)	(98,252)
Non-deductible Crown royalties, net of ARTC	1,168,437	180,531
Non-deductible stock-based compensation	158,107	23,901
Other, including rate change decrease	(477,233)	4,857
Large corporation tax	43,066	-
Saskatchewan resource surcharge tax	368,729	-
Total current and future income tax	$2,699,496	$76,071

The components of the net future income tax liability at December 31 were as follows:

	2005	2004
Future income tax assets:		
Share issue costs	$1,082,651	$397,961
ACRI carryforward recognition	84,257	-
Asset retirement obligation	912,204	175,083
	2,079,112	573,044
Future income tax liabilitiesies:		
Property, plant and equipment	14,224,270	2,756,144
Net future income tax liability	$12,145,158	$2,183,100

At December 31, 2005 the Company had approximately $48.8 million (2004 - $17.6 million) of tax pools available to reduce future taxable income.

10. Supplemental cash flow information

Changes in non-cash working capital	2005	2004
Change in accounts receivable	($5,959,250)	($2,013,005)
Change in accounts prepaid expenses and deposits	(119,412)	(226,915)
Change in accounts payable and accrued liabilities	10,135,326	6,959,825
	$4,056,664	$4,879,825
Relating to:		
Operating activities	($12,543,507)	$2,472,429
Investing activities	11,368,155	1,903,000
Financing activities	-	48,376
Acquisition of 1075264 Alberta Ltd.	-	104,540
Acquisition of Shawnee Oils Inc.	-	351,480
Acquisition of Virtus Energy Ltd.	5,232,016	-
	$4,056,664	$4,879,825
Interest paid in the year	525,058	$16,711
Income taxes paid in the year	411,793	-

11. Financial instruments

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as accounts payable and accrued liabilities and asset retirement obligation which will result in future cash outlays. In management's opinion, the Corporation's carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity. The carrying value of asset retirement obligation approximates fair value as described in note 6.

The nature of the Corporation's operations result in exposure to fluctuations in commodity prices, exchange rates and interest rates. The Corporation does not use derivative financial instruments to manage its exposure to these risks.

12. Commitments

The Corporation's commitments, under a property lease agreement, are as follows:

2006	$212,724
2007 (3 months)	53,181
	$265,905

Board of Directors

Rick McHardy
Trevor Spagrud
Michael Stark
Rob Peters
Brian Lavergne
Paul Colborne

Officers

Trevor Spagrud, President & CEO
Rick McHardy, V.P. Finance & CFO
Albert Stark, V.P. Engineering
Robert Nickolson, COO
Bill Mitschke, V.P. Exploration
Rick Gibbs, V.P. Land
Steve Horth, Senior Geologist
Randy Masuda, Chief Geophysicist
Michelle Wiggins, Controller

Corporate Office

Suite 500, 500 - 4 Avenue SW
Calgary, Alberta T2P 3E7
Tel (403) 313-8590
Fax (403) 313-8591
Email titaninfo@titanexploration.ca
Web www.titanexploration.ca

Independent Engineers

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

Banker

Alberta Treasury Branches
Calgary, Alberta

Auditors

PriceWaterhouseCoopers LLP
Calgary, Alberta

Transfer Agent & Registrar

Olympia Trust Company
Calgary, Alberta

Legal Counsel

McCarthy Tétrault LLP
Calgary, Alberta

Stock Listing

Toronto Stock Exchange
Symbols: TTN.A, TTN.B

Standard Abbreviations

2D	two dimensikonal
3D	three dimensional
bbl	barrel
bbls/d	barrels per day
mbbls	thousand barrels
mcf	thousand cubic feet
cmf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
bcf	billion cubic feet
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
GJ	Gigajoule

Conversion of Units

1.0 Acre	=	0.40 hectares
2.5 acres	=	1.0 hectare
1.0 Bbl	=	0.159 cubic meters
6.29 bbls	=	1.0 cubic meters
1.0 foot	=	0.3048 meters
3.281 feet	=	28.2 cubic meters
1.0 Mcf	=	28.2 cubic meters
0.035 mcf	=	1.0 cubic meters
1.0 Mile	=	1.61 kilometers
0.62 miles	=	1.0 kilometer
1.0 MMBTU	=	1.054 GJ
0.949 MMBTU	=	1 GJ

Natural gas is equated to oil on the basis of 6mcf = 1 boe

TITAN EXPLORATION INC.
Suite 500, 555 - 4 Avenue S.W. • Calgary, Alberta, Canada T2P 3E7
Tel (403) 313-8590 • Fax (403) 313-8591
Email titaninfo@titanexploration.ca
Web www.titanexploration.ca